Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 159 of the 130th G.A. **Date**: September 19, 2013

Status: As Introduced **Sponsor**: Sen. Schiavoni

Local Impact Statement Procedure Required: No

Contents: To extend the 10% and 2.5% partial property tax "rollback" exemptions to new and replacement levies approved at the 2013 general election and to declare an emergency

State Fiscal Highlights

STATE FUND	FY 2014	FY 2015	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase up to $18.2 million	Increase up to $37.9 million	Annual increase up to $39.3 million

Note: The state fiscal year is July 1 through June 30. For example, FY 2014 is July 1, 2013 – June 30, 2014.

- Extending the 10% and 2.5% partial property tax "rollback" exemptions to new and replacement levies approved at the 2013 general election would increase GRF expenditures for EDU appropriation item 200901, Property Tax Allocation – Education, and TAX appropriation item 110901, Property Tax Allocation – Taxation, by amounts up to $18.2 million in FY 2014 and up to $37.9 million in FY 2015.
- The actual fiscal effect depends on the number of ballot questions approved by the voters; this fiscal estimate assumes all applicable levy requests are approved. Although this outcome is unlikely, LSC staff does not know of a reliable way to predict the outcomes in every taxing jurisdiction.
- GRF expenditure estimates are based upon a survey of Ohio's county auditors; the statewide fiscal effect was estimated from self-reported data provided by 57 county auditors.

Local Fiscal Highlights

- Extending the 10% and 2.5% partial property tax "rollback" exemptions to new and replacement levies approved at the 2013 general election would increase state reimbursements to local taxing authorities by amounts up to $36.5 million in calendar year (CY) 2014 and up to $39.3 million in CY 2015.
- Any revenue gains by way of payments from the state would be offset by reduced payments from taxpayers, due to the application of the rollbacks to the levy proceeds.

Detailed Fiscal Analysis

S.B. 159 extends the 10% and 2.5% partial property tax "rollback" exemptions to new and replacement levies approved at the 2013 general election and declares an emergency. Am. Sub. H.B. 59 of the 130th General Assembly limited the application of the 2.5% and 10% real property tax rollbacks by specifying that the rollbacks may not be applied to reduce the taxes due on new or replacement levies approved at elections held on or after September 29, 2013, regardless of the tax year to which the levy would first apply. This provision of H.B. 59 means that the reductions would not apply to levies approved at the November 2013 election for tax year (TY) 2013, TY 2014, or any later tax year, or to levies approved at any later election. (Under continuing law, the 10% rollback applies to all real property not intended primarily for use in a business activity, and the 2.5% rollback applies to all owner-occupied homesteads; the state reimburses local governments and schools for the revenue lost due to both rollbacks.)

Fiscal effect

The state reimburses school districts and local governments through two GRF line items. S.B. 159 will increase expenditures for EDU appropriation item 200901, Property Tax Allocation – Education, up to $12.2 million in FY 2014 and up to $25.3 million in FY 2015. It also increases GRF expenditures for TAX appropriation item 110901, Property Tax Allocation – Taxation, up to $6.1 million in FY 2014 and up to $12.6 million in FY 2015.[1]

The actual fiscal effect depends on the number of ballot questions approved by the voters; this fiscal estimate assumes all applicable levy requests are approved. Although this outcome is unlikely, LSC staff does not know of a reliable way to predict the outcomes in every taxing jurisdiction. In any case, the actual spending increase could be well below the maximums presented in the preceding paragraph, due to the contingency of voters passing the levies on the ballot.

LSC submitted a questionnaire to all 88 county auditors, and 57 auditors responded with self-reported data about the levies on their respective county's November 2013 ballot. The auditors provided information about the levies and the property valuations for the taxing jurisdiction that had a ballot question certified for the November 2013 election.

In using the responses from 57 counties, LSC estimates that the total state fiscal effect is up to $36.5 million in CY 2014 and up to $39.3 million in CY 2015. This estimate is valid if the 57 responding counties are representative of all 88 counties. The 57 counties account for 75.7% of the rollback amounts reimbursed to counties in the most

[1] H.B. 59 included uncodified language increasing both appropriations automatically if additional funds were needed to reimburse political subdivisions for the proper amounts. Thus, no additional appropriation is needed in this bill.

recent half-year settlement. The 31 counties that did not respond to LSC's questionnaire account for 24.3% of the statewide rollbacks. The largest county not to respond was Cuyahoga, which is home to taxing jurisdictions receiving 14.1% of the rollback reimbursements. If the dollar value of ballot questions in Cuyahoga County is substantially more or less than 14.1% of those on the ballot throughout the state, the overall GRF estimate could change. Nevertheless, the voters' approval rate of the ballot questions remains as the most important factor in determining the fiscal effect.

The state reimburses school districts and local governments for the full-year amount through two settlement payments in both the first half and second half of the calendar year. The fiscal effect for the first year of the FY 2014-2015 biennium is up to \$18.2 million and up to \$37.9 million in the second year of the biennium. The fiscal effect reflects the fact that most ballot questions in the November 2013 election seeking additional money are effective for TY 2013 rather than TY 2014. The TY 2013 property tax settlements are reimbursed by the GRF in February 2014 and August 2014.

The local taxing jurisdictions will not have a direct fiscal effect because the taxing authorities will receive revenue raised from November 2013 ballot questions from either the taxpayers under current law or the GRF reimbursements if S.B. 159 is enacted. However, the absence of the 10% and 2.5% rollbacks may affect voter behavior and the approval rates of ballot questions seeking new money.

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